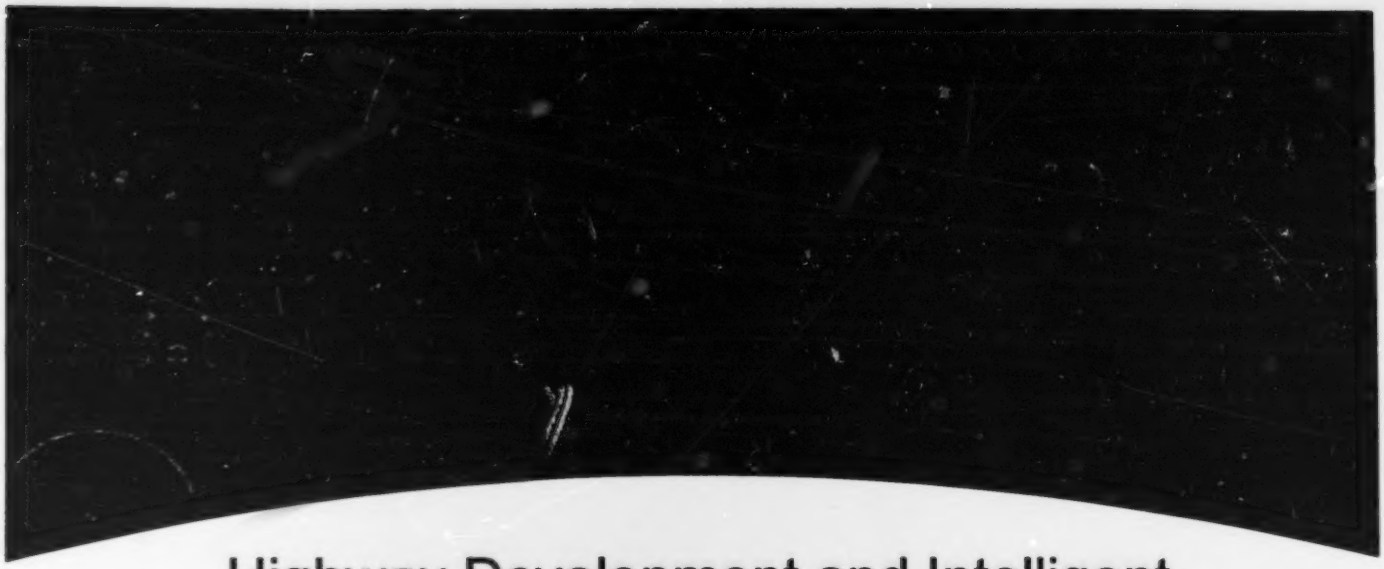

Highway Development and Intelligent Transportation Systems in China

February 2001

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Highway Development and Intelligent Transportation Systems in China

February 2001

(Également disponible en français sous le titre, Le marché de la construction routière et des systèmes intelligents de transport en Chine)

Prepared by the
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and the
Canadian Trade Commissioner Service

© Department of Foreign Affairs and International Trade
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Canada

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HIGHWAY DEVELOPMENT AND INTELLIGENT TRANSPORTATION SYSTEMS IN CHINA

Team Canada Inc • Équipe Canada inc

EXECUTIVE SUMMARY

Globally, China is — and will continue to be — the world's biggest market for transport equipment and transport infrastructure development products and services. Passenger and cargo transport levels are booming, and will only continue to grow.

China's highway development plans are very ambitious. This year alone, China plans to construct 35 000 km of national highways. Nearly half of these highways will be constructed in China's western regions. In addition to many provincial and municipal highway development projects, China is in the process of constructing 12 interprovincial expressways. These 12 expressways will cover a distance of approximately 36 000 km and will link all of China's large and medium-sized cities. They should be completed by 2020.

Many of these projects incorporate the use of intelligent transportation systems. Indeed, ITS promises to be an important focus of the 10th Five Year Plan.

Although highway construction projects abound in China, supply opportunities for Canadian companies are limited to the provision of products and services in which Chinese manufacturers and service providers are not proficient. Hence, for the most part, opportunities are limited to the supply of high technology, niche products and/or services such as:

- high-quality technically-advanced asphalt equipment (and asphalt re-use equipment) and pavement rollers of various types;
- ITS (i.e. traffic control, toll and communications systems); and
- contract, urban planning, engineering and environmental impact assessment services.

Nevertheless, significant opportunities exist for Canadian companies to enter into joint venture construction arrangements with Chinese companies. To meet its highway development goals, China estimates that it will need at least $1.5 billion in foreign direct

investment (FDI) per year until nearly 2020.[1] Build-operate-transfer (BOT) arrangements are the most common type of foreign equity investment encouraged by the central Government.

Canadian companies should be aware that although China is moving toward accession to the World Trade Organization (WTO), numerous trade and investment barriers remain within its highway development and ITS markets.

[1]All monetary amounts are expressed in Canadian dollars, unless otherwise indicated. The conversion rate to Canadian dollars is based on IDD Information Services, Tradeline, June 2000.

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HIGHWAY DEVELOPMENT AND INTELLIGENT TRANSPORTATION SYSTEMS IN CHINA

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MARKET OVERVIEW

China's economy has more than quadrupled in size since economic reforms and market liberalization began in 1978. The country is now the world's seventh-largest economy in terms of gross domestic product (GDP). Moreover, with 1.3 billion people, 30% of whom are under the age of 15, China shows great promise of becoming the world's largest consumer market in the near future.

Despite considerable and ongoing improvement, China's transportation infrastructure continues to be a business development bottleneck. Recognizing this fact, China has heightened the intensity of its transport infrastructure development. Consequently, China has the largest potential infrastructure market in the world, presenting remarkable opportunities for Canadian engineers, manufacturers and suppliers, as well as investors.

Highway Development

China's highway infrastructure has the greatest investment needs of all of China's transport sectors, especially since China plans to make 99% of its towns and 90% of its villages accessible by paved roads. By the end of 1999, China had invested more than $120 billion in highway construction projects. In 1999 alone, China invested $32.3 billion in the development of its highways, constructing approximately 33 000 km, and bringing the amount of public-access highways up to 1.3 million km. China also constructed 22 980 km of trunk roads in 1999.

In 2000, China plans to step up the pace of its highway construction efforts and will construct 35 000 km of national highways. Nearly half of these highways will be constructed in China's western regions.

Despite these efforts, the carrying capacity of China's road infrastructure is only expected to increase at annual rate of 2.5% over the next decade, while the number of vehicles in China is expected to grow at a rate of 6% annually. China's roads now handle 85% of passenger volume and 75% of the nation's freight volume (**Table 1**), and more than half of them already exceed their designed traffic capacity. Hence, current highway capacity and expansion efforts are not sufficient to carry the forecasted traffic loads.

Table 1. Highway Statistics, 1993 to 1998

	1995	1996	1997	1998
Highways ('000 km)	1157.00	1185.80	1226.40	1278.50
Passengers carried (bln)	10.41	11.22	12.04	12.57
Passenger-km (bln)	460.30	490.90	554.10	594.30
Freight moved (bln tonnes)	9.40	9.84	9.77	9.76
Freight tonne-km (bln)	469.50	501.10	527.20	548.30
Cars and buses ('000)	4179.00	4880.20	5805.60	6548.30
Vehicles owned by individuals ('000)	2499.60	2896.70	3583.60	4236.50
Freight trucks ('000)	5854.30	5750.30	6012.30	6278.90

Source: China Statistical Yearbook, 1999

Between 2001 and 2005 — during the 10th Five-year Plan — China is expected to import nearly $3 billion worth of engineering machinery annually (**Table 2**). Nevertheless, the Chinese import market for highway construction equipment is shrinking due to the increasing manufacturing capabilities of Chinese companies.

Table 2. Annual Demand for Engineering Machinery, During the 10th Five-Year-Plan

Type of machinery	Demand (units)
Bulldozers with Capacities Ranging from 73.5 Kw and above	6000 to 7000
Loaders	28,000 to 30,000
Hoisters	8000 to 9000
Forklifts	35,000 40,000
Hydraulic Excavators	12,000 to 14,000
Jumbo Drills	1500 to 1700
Road Engineering Machines	9000 11,000
Construction Machinery	2.5 to 3 million sets

Source: Xinhua News Agency, 1998

Intelligent Transportation Systems

China's market for intelligent transportation systems (ITS) is booming.

China's use of ITS dates back to the late 1970s when electronic information technology was applied to a number of traffic engineering and transport management projects. In

the early 1980s, a computer-controlled traffic surveillance and control system was used on China's national highway system for the first time.

Today, intelligent transportation systems are being applied to all of China's transport sectors:

- road traffic surveillance and control systems (e.g. closed-circuit television systems and electronic bulletin boards) are used on expressways and in urban areas;
- smart card readers are used in China's metros and toll expressways;
- many of China's rail and metro systems are monitored and controlled, electronically and centrally; and
- seaport navigation, docking and cargo unloading are becoming increasingly automated.

In 1999, China imported $42.3 million worth of electrical signalling and traffic control equipment. Imports were down nearly 25% compared to 1998 when China imported $55.15 million worth of this equipment.

The import market for electrical signalling and traffic control equipment is expected to cool in 2000, but will take off again in the mid to latter part of this decade. Indeed, ITS promises to be an important focus of the 10th Five Year Plan.

Key Factors Shaping Market Growth

Highway Development

China's continual transition toward a market economy, and looming accession to the World Trade Organization (WTO), are two of the principal factors driving China's highway development boom (see ***China's Accession to the World Trade Organization*** for more information on China's accession to the WTO). China's cargo market, which has been growing at an annual rate of 25% — four times the world average — has already overburdened China's highway infrastructure. China's entry to the WTO and the increasing presence of e-commerce and "just in time" delivery, will further strain China's highway infrastructure.

In addition, the Chinese Government's efforts to further open and strengthen China's central and western regions — a key element of the 10th Five-Year-Plan, 2001-2005 — will play a key role in shaping China's future highway development initiatives. Indeed, the majority of highway development projects planned for the 10th Five-Year-Plan focus on the West Central region of China. In the past, the Pearl River Delta area (covering

nine cities in Guangdong province and in geographical terms also includes Macau and Hong Kong), was the focus of much of China's highway development efforts.

Intelligent Transportation Systems (ITS)

The Chinese central Government has identified the development and implementation of ITS as a high priority for China's transport infrastructure development. In the short term, China's ITS development priorities are to:

- formulate ITS standards — the Ministry of Communications (MOC) is currently developing traffic engineering standards;[2]
- improve and perfect urban traffic management systems — improve existing road/highway infrastructure and design new road/highway infrastructure with ITS in mind;
- develop public transport — improve the effectiveness and efficiency of public transportation systems using computerized monitoring and dispatch systems based on global positioning systems (GPS) and network level ticket booking systems;
- develop vehicle safety and accident prevention systems — research and develop collision warning systems, safe spacing warning and control systems, driver monitoring systems, and traffic incident/accident warning systems;
- develop a commercial information service system — freight logistics services using electronic data interchange (EDI), GPS and logistics management technology;
- improve the management of high-grade highway and expressway systems; and
- develop information exchange and service systems (for ticketing, shipping and travel schedules — aviation, bus, rail and shipping).

Opportunities

There are significant supply and investment opportunities for Canadian companies in China.

[2] For contact information regarding key organizations mentioned in this report, see **Key Contacts and Support Services**.

Canadian small and medium-sized enterprises (SMEs) should be aware that increasingly, the Chinese Government and provincial transport authorities are awarding small and medium-sized highway development projects, or portions of major projects, to single companies. These companies then subcontract work to whomever they choose — in effect, providing the Chinese with a turnkey solution to their highway development needs. As a result, Canadian SMEs will gain quicker access to this market by working with larger companies as subcontractors or by trying to win contracts from small provincial transport authorities/bodies.

Highway Development

Although highway construction projects abound in China (see ***Actual and Planned Projects***), opportunities for Canadian companies are limited to the provision of products and services in which Chinese manufacturers and service providers are not proficient. Hence, for the most part, opportunities are limited to the supply of high technology, niche products and/or services.

Opportunities exist for Canadian companies to supply the following type of road development equipment to Chinese infrastructure development bodies:

- asphalt distributors;
- asphalt mixing plants;
- asphalt pavers;
- high-grade large asphalt spread machines;
- large high-grade asphalt laying machines;
- pavement rollers; and
- vibratory tandem rollers.

In addition, opportunities exist for Canadian companies to supply the following types of services:

- contract management;
- transportation – engineering, planning and economics;
- analysis – systems and public transportation;
- urban planning;
- environmental impact assessments; and
- feasibility studies.

Investment Trends

Securing financing is the greatest challenge facing China in the further development of its highway infrastructure. China estimates that it will be able to cover approximately 75% of the capital necessary to fund its highway development plans. However, it will

require at least $1.5 billion in foreign direct investment (FDI) per year in order to meet its goals.

China's highway development sector has already received a significant amount of foreign investment. The majority of private equity in China's highway sector — approximately $50.5 billion since 1994 — has come from foreign direct investment, which by law is limited to toll roads and bridges.

BOT arrangements are the most common type of foreign equity investment encouraged by the central Government. It is not unusual for foreign companies establishing joint-venture arrangements for the construction and operation of toll expressways, to be given a guaranteed rate of return by their local partner. Chinese authorities have also been known to offer foreign investors development rights for the 16 km-wide land corridor, on either side of highway development projects. A few Hong Kong companies have taken advantage of these offers.

Although more than 70 co-operative joint-venture toll-road projects have been set up in China since 1994, private FDI has waned during the last few years. The decline is largely the result of the fact that in many cases, the toll revenues used to lure foreign investors have failed to provide adequate returns on highway investments. Moreover, the Chinese equity market and attitudes towards China's debt issues have soured.

In addition to FDI, China began to allow domestic infrastructure companies to raise funds in equity markets during the latter part of the 1990s. In total, equity listings raised approximately $2.93 billion for China's highway sector in the 1990s. Chinese and Hong Kong toll road operators have been the most pro-active in taking advantage of this opportunity. Five expressway companies have listed on the Hong Kong Exchange — the Anhui Expressway, Jiangsu Expressway, Shenzhen Expressway, Sichuan Expressway, and Zhejiang Expressway.

The state has also issued bonds, which it uses to create construction funds.

Intelligent Transportation Systems

Although China's use of ITS dates back to 1970, most of China's transport infrastructure lacks ITS of any kind. Many of China's highways and urban roads are in dire need of equipment to control and regulate traffic flow. There are opportunities for Canadian firms to supply the MOC and private expressway operators with:

- traffic control systems;
- toll systems; and
- telecommunications systems.

In addition, China is keen on co-operating with foreign nations in the further development of ITS technology. Canadian companies proficient in this field will likely find that Chinese companies are very interested in forming joint-venture manufacturing or development operations — particularly when transfers of technology are involved. Canadian firms should be aware of the fact that intellectual property laws are not enforced as stringently in China as they are in North America.

Actual and Planned Projects

Highway Development

China's highway development plans are very ambitious. Under the umbrella of its National Trunk Highway System (NTHS) plan, China plans to construct approximately 36 000 km of highways, linking all of its large and medium-sized cities, by 2020. The project involves the construction of 12 interprovincial expressways — seven running east to west, and five running north to south (**Table 3**). In October 1999, 38% (13 600 km) of the NTHS was complete.

Table 3. The National Trunk Highway System, November 1999

Route	Length (km)	Progress made
Five roads running North to South:		
Tongjiang (Heilongjiang Province) to Sanya (Hainan Province)	5200	294 km Laiyang–Weifang (Shandong) leg; Fuzhou–Quanzhou (Fujian) leg; and Yangtze River bridge at Jiangyin complete.
Beijing to Fuzhou (Fujian Province)	2500	56 km Jinan–Tai'an leg complete.
Beijing to Zhuhai (Guangdong Province)	2400	54 km Guangzhou–Zhuhai leg complete.
Erlianhaote (Inner Mongolia) to Hekou (Yunnan Province)	3600	
Chongqing to Shanghai Express	1400	70 km Chongqing–Changshou completed in April 2000

Route	Length (km)	Progress made
Seven roads running East to West:		
Suifenhe (Heilongjiang Province) to Manzhouli (Inner Mongolia)	1300	
Dandong (Liaoning Province) to Lhasa (Tibet)	4600	253 km Shizuishan–Zhongning (Ningxia) leg complete
Qingdao (Shandong Province) to Yinchuan (Ningxia Province)	1600	Scheduled for completion in October 2001.
Linayugang (Jiangsu Province) to Huoerguosi (Xinjiang Province)	4400	78 km Weinan–Tonguan leg nearing completion
Shanghai to Chengdu (Sichuan Province)	2500	
Shanghai to Ruili (Yunnan Province)	4000	Scheduled for completion by 2002
Hengyang (Hunan Province) to Kunming (Yunnan Province)	2000	
Prioritized by Government, but not included in the national plan:		
Beijing to Shenyang (Liaoning Province)	850	468 Beijing–Jinzhou leg complete.
Beijing to Shanghai	1460	56 km Jinan–Tai'an leg complete
Chengdu (Sichuan Province) to Beihai (Guangxi Province)	2300	
Source: China Daily, EIU, Xinhua News Agency.		

The 2400 km Beijing–Zhuhai Expressway, which crosses the provinces of Hebei, Henan, Hubei, Hunan and Guangdong, is the most important highway in the plan. When complete, the road will connect Beijing with Guangdong's Pearl River Delta and Hong Kong. The 2000 km Shanghai–Chengdu Highway, which will connect Shanghai, Jiangsu, Anhui, Hubei and Sichuan, is also considered highly important.

In addition to the NTHS projects, numerous other highway development projects are under way. A number of these include the following (full details on each these projects are contained in **Appendix A** of this report):

- Changchun – Harbin Expressway: Changyu Expressway
- Changchun – Harbin Expressway: Hashuang Expressway
- Chongqing/Guizhou Expressway (Interprovincial)
- Guiyang/Xinzhai Highway (Interprovincial)
- Hebei and Liaoning Expressways (Interprovincial)
- Liaoning and Jilin Expressways (Interprovincial)

- National Highway II Project — Guangdong/Hunan Highway Corridor (Interprovincial)
- Shanghai–Zhejiang Highway — formerly called Shanghai/Hangzhou Highway (Interprovincial)
- Lanzhou/Baiyun Expressway (Gansu Province)
- Guiyang Huangguoshu Project (Guizhou Province)
- Hebei Roads Development Project (Hebei Province)
- Harbin/Shuangchen Expressway (Heilongjiang Province)
- Nanyang/Southwest Expressway (Henan Province)
- National Highway III Project (Hubei Province)
- National Highway IV Project (Hubei–Hunan Provinces)
- Jilin/Changchun Expressway (Jilin Province)
- Shanghai Freeway Network (Shanghai)
- Fenyang/Liulin Expressway (Shanxi Province)
- Trunk Highway Project (Tibet Autonomous Region)
- Turpan/Dahuangshan Expressway (Xinjiang Uygur Autonomous Region)
- Urumqi/Kuitin Expressway (Xinjiang Uygur Autonomous Region)
- Kuitin/Sailimu Expressway (Xinjiang Uygur Autonomous Region)
- Inter-Region Upgrade Project (Yunnan Province)
- Southern Yunnan Road Development Project (Yunnan Province)
- Jinhua/Lishui/Wenzhou Expressway (Zhejiang Province)

Intelligent Transportation Systems

China's Ministry of Construction and Public Security has launched a project to alleviate traffic congestion in China's main urban centres. Under the project, which is known as the Smooth Traffic System (STS) project, traffic management centres with signal control systems, information networks and Internet-based communications systems will be established in target cities. Qingdao in Shandong Province has been identified as one of the new sites for the STS.

International Financial Institutions

China is the largest borrower from both the World Bank and the Asian Development Bank (AsDB), representing significant commercial opportunities for Canadian firms. As a result of Canada's status as a shareholder in both institutions, Canadian companies are eligible to supply goods and technical assistance related to loan-funded projects. In 1999, China borrowed $3.1 billion from the World Bank and $1.9 billion from the AsDB.

World Bank lending to China has been primarily in three sectors: Agriculture (29%), Transportation (24%) and Energy (19%). AsDB funds have been allocated mainly to the Transport and Communications (46.1%) and Energy (19.2%) sectors. There are also a number of projects focussed on water supply and sanitation. Special emphasis has been placed on projects that support economic reform, develop public infrastructure,

address environmental degradation, improve natural resource management, support human resource development and alleviate poverty.

Companies may supply technical assistance services directly to the banks, in support of project design and feasibility work; however, loan-funded projects themselves are generally managed by Chinese executing agencies. The procurement of loan-funded goods and services by these agencies is subject to lending institution rules governing fairness and transparency, and companies can appeal if they feel that the procurement process is not being properly followed.

For links to the World Bank and AsDB Web sites, and for copies of related business guides, companies are encouraged to consult IFInet on the Web site of the Department of Foreign Affairs and International Trade at: http://www.dfait-maeci.gc.ca/ifinet.

COMPETITIVE ENVIRONMENT

Local Capabilities

Highway Development

China designs and constructs the majority of its highway infrastructure projects.

In addition, local companies manufacture the majority of heavy equipment used in China's infrastructure development projects. Chinese-manufactured equipment has a large price advantage over imports, and its technical quality is increasing rapidly.

Intelligent Transportation Systems

China's ITS manufacturing base is extremely limited.

International Competition

Highway Development

Japan dominated China's road construction equipment market in 1999, cornering 50.5% of the market (**Table 4**). South Korea and the United States followed, with 16% and 14% of the market, respectively. Germany was a distant fourth, with 6% of the market (see **Appendix B** for more information on China's road construction equipment imports).

Japan's dominance of the market is no surprise since it has provided soft loans for a large number of Chinese highway development projects through its Japan Bank for

International Cooperation (Jabic — formerly known as the Overseas Economic Cooperation Fund, OECF).

Table 4. Top 5 Exporters of Road Construction Equipment to China, including Canada, 1997 to 1999 ($ millions)

	1996	1997	1998	1999
Japan	3342.26	3563.29	3456.53	4829.35
South Korea	823.64	796.02	579.18	1527.71
United States	1390.54	1169.21	1604.47	1327.72
Germany	750.75	751.73	956.7	549.17
Indonesia	0.08	0.22	9.07	178.39
Canada	26.10	42.37	34.99	93.91
Total	**7675.41**	**7717.01**	**8061.74**	**9568.43**

Note: Statistics included in this table include the following HS Codes: 842641, 842911, 842919, 84292010, 84292090, 842930, 842940, 842951, 842952, 842959, 843010, 843069, 843139, 843141, 843142, 843149, 870410, 870423.
Source: *TradStat*, 2000

By 1995, more than 20 foreign companies had established joint ventures with Chinese companies to construct highways. Approximately 15 had established joint ventures for the management of highways or bridges, while another 15 had established joint ventures to construct and manage highways. However, during the latter part of the 1990s, foreign investment and joint venture partnering decreased. Nevertheless, the average amount of investment per venture, increased to over $280 million at the same time.

Hong Kong and Singaporean companies have been the most enthusiastic and active foreign investors in the development of China's highway infrastructure. However, now that China's infrastructure development focus has shifted from the southeastern region to China's western and central areas, Hong Kong's language and proximity advantages may diminish, along with some of its enthusiasm to invest.

Examples of foreign companies involved in joint venture companies to construct highways in China include:

- The Korea Highway Management Corp. (KHMC) — an affiliate of the state-run Korea Highway Corp., KHMC has established a joint venture highway construction company in China with the Shenyang High Level Highway

Construction General Co. of China. The Shenyang Far East Highway Engineering Co. is expected to receive construction orders worth $40 million or more annually; and

- U.S.-based Koch Materials Inc. — Koch established a joint venture with Hubei Ezhou K Asphalt Products Co. to supply asphalt to China's road construction efforts.

A few foreign companies have established joint ventures in China to manufacture heavy equipment. To date, their output has been minimal.

Intelligent Transportation Systems

Companies from the United States, Europe (particularly Germany, France and the U.K.), Singapore, Korea and Japan are all very active in China's ITS market. Japanese companies involved in the market include Omron, Toshiba and Japanese Signals. Korean companies involved in the market include Samsung and Hyundai while France's AEG, and Germany's German Signal are some of the European competitors active.

In 1999, China's ITS import market was dominated by the United States, which had a 41% share of the market in 1999. The United States was followed by France, the United Kingdom, Australia and Japan (**Table 5**). The United States' lead position in 1999, represents a dramatic shift from 1998, when France led the market with 26% (see **Appendix B** for more information on China's electrical signal and traffic control equipment imports).

Table 5. Top 5 Exporters of Electrical Signalling and Traffic Control Equipment (HS Code 8530) to China, including Canada, 1996 to 1999 ($ millions)

	1996	1997	1998	1999
United States	3.67	5.15	1.72	17.40
France	3.89	1.96	14.19	7.86
U.K.	0.23	0.08	7.48	6.29
Australia	0.68	0.04	0.23	3.19
Japan	0.06	0.58	0.38	2.85
Canada	0.07	1.82	0.05	0.10
Total	**11.71**	**35.03**	**55.15**	**42.28**

Source: TradStat, 2000

Canadian Position

In general, Canadian transport equipment and transport infrastructure development companies (including architectural, construction, engineering and manufacturing firms) enjoy a good reputation in China for high-quality, technically advanced products and services. Moreover, Canada's wealth of Chinese professionals such as investors, developers, engineers, designers and architects who understand, at least in part, the local culture and who can serve as a bridge to realizing highway development and ITS opportunities, give Canada a decided advantage over many of its international competitors.

Highway Development

In 1999, Canada was the ninth-largest exporter of highway construction equipment such as excavators, rollers and asphalt machinery, to China. In total, Canadian companies exported $9.3 million worth of construction equipment in 1999, up considerably from $3.5 million in 1998 (**Table 4**).

Intelligent Transportation Systems

In 1999, Canada exported $100,000 electrical signalling and traffic control equipment directly to China. Canada's 1999 export levels were up considerably from 1998 when it exported $50,000 worth of the equipment.

Canadian Investment in China

According to Statistics Canada, Canadian FDI in China grew appreciably during the 1990s, increasing from $225 million in 1993 to $464 million in 1998. In 1998, China was the seventh-largest recipient of Canadian FDI in Asia.

The Canadian investment community present in China is substantial and multifaceted. Canadian investments cover a full range of key sectors, including agriculture, transportation, telecommunications, financial services, energy, mining, biotechnology, construction and forest products. The vast majority of Canadian firms investing in China are SMEs.

Canadian investment in China is concentrated in coastal regions (Shanghai, Guangdong, Shandong, Liaoning and the Beijing/Tianjin area). However, Canadian investments can be found in all regions of the country and are steadily expanding in terms of sectors of involvement.

Competitive Advantage through Canadian Government Policies and Initiatives

Canada China Business Council

The Canada China Business Council (CCBC) is a private-sector, non-profit membership organization that facilitates and promotes trade and investment between Canada and China. Sixty per cent of the CCBC's members are small and medium-sized enterprises (SMEs). The CCBC's mandate is to stimulate and support trade in goods and services, investment, and technology transfer; to achieve greater economic growth and closer relationships between Canada and China; to provide practical and focussed assistance to business; and to be the voice of the Canadian business community on matters of Canada-China relations, both to the Government and to the public at large.

Small and medium-sized companies unable to maintain a full-time presence in China may find the CCBC's range of services particularly useful. CCBC member services include the provision of market research, policy support, counselling, and translation services; negotiating strategies; and arranging business programs.

Canadian International Development Agency – Industrial Cooperation Program

Since 1982, CIDA's Industrial Cooperation Program (CIDA-INC) has been actively promoting Canadian participation in China's socio-economic development. CIDA-INC offers cost-sharing services for feasibility studies, project development and project implementation, to companies considering investing in China through joint venture arrangements or wholly-owned ventures. CIDA-INC's interests are mostly in projects involving social impact enhancement. For more information, visit

http://www.acdi-cida.gc.ca/busine-e.htm or contact a CIDA-INC program or contracting manager.

Export Development Corporation

Export Development Corporation (EDC) is Canada's official export credit agency, facilitating Canadian trade with over 200 world markets. EDC's first transaction with China took place in 1980 and since then EDC customers — Canadian companies of all sizes — have concluded over $5 billion of business in China. A variety of EDC trade finance services have been employed in the Chinese market. Financing is traditionally offered on a case-by-case basis, through lines of credit established with select Chinese banks. Export financing may also be considered via direct buyer loans to credit worthy companies which have Chinese Government authority to borrow funds abroad. In addition, EDC export and investment insurance programs provide exporters with protection against a variety of risks, both commercial and political. Performance security and contract bonding programs also help exporters by providing them with the ability to free up working capital while meeting bonding requirements during the execution of commercial contracts.

Foreign Investment Protection Agreement

Negotiations are under way between Canada and China to conclude a foreign investment protection agreement (FIPA). However, China's WTO accession is a prerequisite to its completion. Canada is actively working with the Chinese Government to remove as many investment barriers and restrictions as possible, in all sectors.

Program for Export Market Development

The Program for Export Market Development (PEMD) helps Canadian companies enter new markets by sharing the costs of activities that companies normally could not or would not undertake alone, thereby reducing risks involved in entering a foreign market. Eligible costs and activities include market visits, trade fairs, incoming buyers, product testing for market certification, legal fees for international marketing agreements, transportation costs of offshore company trainees, product demonstration costs, promotional materials, and other costs necessary to execute a market development plan. Activity costs are shared on a pre-approved, 50/50 basis.

The PEMD refundable contribution ranges from $5,000 to a maximum of $50,000. Preference is given to companies with fewer than 100 employees for a firm in the manufacturing sector and 50 in the service industry, or with annual sales between $250,000 and $10 million. Other components of the program include international bid preparation (Capital Project Bidding) and, for trade associations, developing international marketing activities for their membership. For additional information visit http://www.infoexport.gc.ca/pemd-e.asp or call 1-888-811-1119.

WIN Exports

WIN Exports, a database of Canadian exporters and their capabilities, is used by trade commissioners around the world and by Team Canada Inc partners in Canada to match Canadian suppliers with foreign business leads, and to share information on trade events. To register your company in WIN Exports or for more information, visit http://www.infoexport.gc.ca/winexports/menu-e.asp or call 1-888-811-1119.

PUBLIC-SECTOR CUSTOMERS

There is truly very little distinction between private- and public-sector customers in China's transportation sector. To one degree or another, Chinese Government agencies are involved in the operations of almost all domestic service providers, facilities and manufacturers.

China's highway development is overseen by the Ministry of Communications' (MOC) Department of Highway Administration. The Ministries of Public Security (MPS), Science and Technology (MOST) and the MOC jointly manage ITS in China.

To obtain access to this market, Canadian companies are strongly encouraged to directly market — either by themselves or even more so through an agent — their products and services to end users and importing agencies. Transport authorities have suggested that companies that have made the effort to introduce themselves to end users often have an advantage over those that have not, even when bids are announced publicly. In addition, for numerous larger procurement projects, bids will only be sought from pre-qualified bidders.

When negotiating contracts, Chinese customers pay careful attention to pricing, technology transfer, product quality, availability of spare parts (if applicable), and after-sales service. Financing is always an issue when doing business in China. Canadian companies able to offer attractive financing options in their proposals will have a significant advantage over competitors who can not. Creativity and flexibility are essential when doing business in China.

Although it is possible for Canadian companies to enter China's highway development market as independent specialist contractors, regional transport infrastructure development officials prefer to procure goods and services that are part of a total delivery package. The ability of a consortium to deliver a comprehensive design, construction, financing, equipment, operation and maintenance solution to a highway development project appeals to Chinese transport authorities.

Government Organizations

State Council

The State Council represents the highest level of decision making in the Chinese Government, providing overall direction to China's economic policy development. Composed of China's premier, four vice premiers and five state councillors, the State Council is in charge of approving any project valued at $147.3 million or more, or having any aspect considered to be sensitive.

State Development Planning Commission

The State Development Planning Commission (SDPC) is a macroeconomic central agency responsible for the development of strategy and plans for national economic and social development. The SDPC has a critical role in planning central Government expenditures, and reviews and approves large foreign investment projects of between $44 million and $147.3 million.

Following SDPC approval, projects are put on a comprehensive list of SDPC projects at which point the Ministry of Finance announces them to the public. The Ministry of finance will then negotiate all purchases.

State Economic and Trade Commission

The SETC is responsible for macro-economic policy, and for the critical task of restructuring China's state-owned manufacturing sector. Following Government reforms in March 1998, a number of key ministry-level organizations became bureaus under the SETC. Among these newly created bureaus is the Bureau of Machinery Industry, which covers the automotive and heavy manufacturing industries.

Ministry of Foreign Trade and Economic Cooperation

The Ministry of Foreign Trade and Economic Co-operation (MOFTEC), under the State Council, is mandated with the overall administration of China's foreign trade and economic co-operation. Key responsibilities include:

- managing external economic relations and trade;
- implementing foreign trade policies;
- drafting medium- and long-term foreign trade development programs and annual import-export plans, in co-ordination with the SDPC;
- approving the establishment of import and export enterprises;

- implementing the import and export licensing system;
- drafting and producing joint-venture documents; and
- negotiating trade agreements.

Government Procurement Regulations/Process

Despite China's moves toward a market economy, there are few consistent, industry-wide, public- or private-sector business processes other than those associated with State-level development blueprints (e.g. the National People's Congress Five-year Plan and the roles of the SDPC and SETC). The "business process" as practised is, in fact, a reflection of many factors, including the number and levels of Government involved, degrees of political support, international investment and "buy ins," directed contracts, favoured contractors, and competitions held only to drive prices down.

There is no guarantee that contracts (even those tendered internationally because they are funded by a multilateral development bank) will be awarded in accordance with the checks and balances found in a competitive tendering process such as that seen in Canada. Factors vary for each project to such an extent that, rather than there being a standard process each has a degree of uniqueness, an understanding of which is fundamental to involvement and eventual negotiation. With so many decisions made by different levels of Government, and financing often dependent on offshore investment, time lines are often simply guidelines.

China's pending accession to the WTO is a demonstration of its commitment to a program of economic reform (see ***China's Accession to the World Trade Organization*** for more information on this subject). This commitment will result in adjustments to China's public and commercial sector business practices over both the short and long term. However, it is not anticipated that such adjustments will be immediately adopted and enforced.

Infrastructure project tenders funded by multilateral/bilateral organizations are conducted under the rules of international competitive bidding. Tenders for projects funded by Japan's Jabic are announced in the Chinese press, and are conducted, in most cases, by the China National Technical Import Corporation. Tenders for projects funded by the World Bank and the AsDB are processed through international tendering companies such as The China National Technical Import/Export Corp., China Commercial Import/Export Corp., China Chemical Construction Co., and the China International Tendering Co.

MARKET LOGISTICS

Channels of Distribution

Canadian companies are strongly encouraged to enlist the services of a local agent or distributor to facilitate market penetration. The Chinese will almost always contact foreign companies that have an office or representative in China, but will not necessarily contact others. Joint ventures with domestic firms, wholly owned foreign ventures, technology transfer arrangements, trading companies, and establishment of local sales offices are also options.

Canadian companies may contact the Canadian Embassy in Beijing or the Consulates General in Chongqing, Guangzhou and Shanghai for a list of reliable and authorized distributors and agents in their respective regions.

Joint Ventures

The time frame for implementing a project, the constraints on imports and exports for required equipment or products, and the level of bureaucratic interference, can all be reduced by entering into joint ventures with provincial and/or national entities. This is particularly true in many autonomous regions, special economic zones, open coastal cities and special planning provinces. Guangdong and Hainan provinces have special privileges in dealing with foreign investors.

Market-entry Considerations

Suggested Business Practices

One of the most important aspects of business dealings in China is *guanxi*, which translates roughly as "connections." The right *guanxi* can open doors to vast networks of potential clients and can facilitate understanding (and sometimes sidestepping) of China's diverse regulations and restrictions.

While a local agent or partner can attend to *guanxi* on the foreign partner's behalf, frequent visits to the market (i.e. to each local airport authority) by the exporter — and/or establishment of a local office — is advisable for establishing successful, long-term business relationships in China.

Naturally, all training and usage documentation accompanying imported products must be provided in the customer's first language (most commonly Mandarin, although Cantonese is often the preferred language in some Southern Chinese areas). Written Chinese should be in simplified characters. Canadian companies should bring business cards that are in Chinese.

Canadian companies should adopt visible marketing and promotional materials in Chinese (e.g. brochures, advertisements in Chinese industry magazines), that let potential customers know who they are and how to find them. Vendor reliability, reputation and product history are vital in the purchasing decision.

Proper respect should be shown to potential clients or other business partners by addressing them by their honorific title (e.g. Mr., Dr.), and by being on time for all meetings. When exchanging business cards, adequate consideration should be given to the business card offered (reading the information thoroughly and commenting on the "high" position of the client or partner).

For more exhaustive treatments of suggested business practices in China please refer to **Appendix C** and to the Department of Foreign Affairs and International Trade's *SME Survival Guide to the China Market*, which is available at the following URL: http://www.infoexport.gc.ca/docs/view-e.asp?fn=76520&lg=0

Financing

The development of all of China's transport industries and infrastructure will require massive injections of foreign capital. World Bank projections estimate that China's infrastructure development plans for the period between 2001 and 2005 will require investments totalling $590 billion.

In the past, China raised funds for the development of its highways, in large part, through the collection of various highway fees, including vehicle maintenance fees, commercial bus supplement fees and commercial truck supplement fees. However, since the passing of the new Highway Law, highway fees have been replaced by national fuel and vehicle taxes. Although the new law did not bar the collection of toll fees on expressways, it will affect toll roads that either did not receive the appropriate approvals, or that were set up by local authorities in some manner not compliant with the new law.

China has received approximately one third of all transportation loans worldwide. The World Bank alone has supplied about $5 billion for the construction of more than 18 highways and expressways in China. In addition to the World Bank, China has received substantial amounts of financing from the AsDB and Japan's Jabic.

However, multilateral lending for Chinese highway development projects is expected to dwindle in coming years. The decrease is expected since China is encroaching its specified borrowing limits, and because China is no longer considered to be a low-income country. In fact, China has been funding development projects in Africa for a number of years now.

By Government fiat, domestic banks increased their highway lending activities in 1998. In 1999, infrastructure lending reached record levels. Domestic loans are generally available for a term of five to 10 years at rates of between 6% to 8%.

Intellectual Property Rights Protection

Canadian companies should be aware that although China has indicated a strong commitment to improving property rights protection, trademark infractions and theft of patented technology are still prevalent.

Patent application by foreign non-residents must be made to the Patent Agency of the China Council for the Promotion of International Affairs, or the Shanghai Intellectual Property Administration. Applications and proceedings are published in the Patent Gazette 18 months after initial filing.

Trademarks are valid for 10 years from the approval date, and can be renewed upon application. Foreigners must apply to the State Administration of Industry and Commerce for a trademark.

Import Regulations

A number of significant systemic problems and practices impede Canadian access to the Chinese market.

A common problem faced by many Canadian firms that have entered the Chinese market is the lack of transparency and the inconsistent application of laws, regulations and import practices. These difficulties reflect, in part, the decentralized nature of administration in China and the strength of local centres of power. The administrative units of local and regional Governments can often act independently from central commands and from written laws endorsed by the central authorities. In customs procedures, for example, it is not uncommon for one product to be subject to different levies in different ports, as each port authority adds its own administrative and miscellaneous fees to the basic import tariff. This practice creates uncertainty in the calculation of export costs and impedes the establishment of consistent, long-term commercial ties. In the case of capital projects, the approval process is often unclear, as is the ultimate decision-making authority on any particular project.

High import tariffs are one of the principal impediments to Canadian exports. Canadian exporters are particularly vulnerable if their products compete against domestically produced goods or have a fixed world price. Issues concerning tariffs include the following:

- Tariffs on heavy construction equipment are quite high, ranging from 12% to 20%; however, they are decreasing.

- Tariffs on ITS equipment range from 20% to 50% but should reduce to between 15% and 25% following China's accession to the WTO.

Import costs are compounded by the imposition of a 17% value added tax (VAT) on most imports. In addition, both tariff rates and VAT are inconsistently applied, sometimes to the advantage of one's domestic or foreign competitors. This situation will no doubt change with China's impending accession to the WTO.

Canadian companies can often reduce the tariffs they face by exporting their products in a broken-down form, since the assembly of these components provides jobs to Chinese citizens. In addition, exporting products into China's five Special Economic Zones (SEZ), open cities and foreign trade zones can be advantageous, as these places may offer some form of preferential duty reduction or exemption. However, such special treatments tend to change fairly rapidly, so companies seeking to exploit opportunities should consult with the relevant local authorities on a regular basis.

Other market access impediments to the Chinese transport sector include the following:

- investment barriers;
- the inability to appeal rulings by Chinese officials through a judicial review process;
- equivalent treatment of foreign and domestic firms (national treatment), equivalent treatment of imports from different countries, e.g., most-favoured nation (MFN) status;
- access to foreign exchange — importers must apply for approval to get foreign exchange; and
- non-tariff barriers (such as import licences and quotas, and Government subsidization of Chinese manufacturers).

The above issues are currently being addressed in multilateral and bilateral negotiations on China's accession to the WTO.

China's Accession to the World Trade Organization

China has made a number of trade-related commitments to World Trade Organization (WTO) members that are expected to take effect when China accedes to the organization. These include tariff concessions as well as commitments to apply WTO rules relating to subsidies, standards, intellectual property, import licensing, trade-related investment measures and sanitary and phytosanitary measures. China will

also be bound by fundamental WTO principles that will require the country to strengthen commercial legal procedures and improve transparency.

China's WTO commitments should help to reduce the risk of doing business in China and encourage increased trade and investment flows. However, most commitments will be phased in over time. In the case of lower tariff rates, most new bound rates will be phased in over five equal, annual increments from the date of accession.

China negotiated a number of tariff rate concessions in its bilateral WTO agreements with member countries. The most favourable concession for any item will apply to all member countries once China joins the WTO.

On November 26, 1999, Canada and China concluded a bilateral agreement providing for improved market access for a range of goods and services. The agreement affects all products and services covered in this report.

Local Standards, Certificates or Registrations

All transport products and services must meet the technical and safety standards set forth by the MOR.

Export Credit Risks, Restrictions on Letters of Credit, Currency Controls

Commercial transactions involving foreign exchange must be approved by the State Administration of Exchange Control (SAEC). A letter of credit from the Bank of China usually indicates that the necessary approvals have been obtained. Most letters of credit provided by the Bank of China result in payments being made only after the export documents have been received — a waiting period of about two weeks. To protect themselves in the event that the terms of sale are not met, Chinese purchasers will often request a standby letter of credit from the exporter's bank at the time of the initial down payment.

Down payments for the purchase of large equipment and technology from foreign companies are normally between 15% and 25%. Up to 75% is then paid on delivery, and the balance is paid on installation. Foreign companies doing business in China have found that both public- and private-sector customers are usually diligent with issuing payment on time and according to the specifications of the agreement. Short-term credits (30-90 days) are commonly provided.

China does not allow letters of credit issued by its banks to be confirmed by other banks of Chinese or foreign origin.

Chinese agents and distributors are generally well-versed in the use of letters of credit and other common export-financing mechanisms.

PROMOTIONAL EVENTS

Event/Description	Organizer
CTC-Construction Technology China Exhibition on Construction Equipment and Building Material Machinery China International Exhibition Centre November 8-11, 2000 Annual trade event showcasing products such as building materials machinery, earthmoving equipment, equipment for building construction, road construction and maintenance equipment, and rock drilling machinery.	**Adsale Exhibition Services Ltd.** 4/F Stanhope House, 734 King's Rd. North Point, Hong Kong Tel.: (852) 2811-8897 Fax: (852) 2516-5024 Contact: Stanley Chu E-mail: aes@adsaleexh.com
International Exhibition on Road and Water Transport Technology and Equipment National Agricultural Exhibition Centre October 25-28, 2000 August 22-25, 2002 Biennial exhibition showcasing road engineering, bridge and culvert engineering, traffic engineering, automobiles, port and navigation channels, port equipment, water transport management, ship engineering, intermodal transport systems and port machinery.	**Beijing International Exhibition Centre** A1 North St. Qingnianhu Andingmenwai, Dong Cheng District Beijing 100011 China Tel.: (86-10) 6422-7788 Fax: (86-10) 6425-1287 Contact: Chai Yingjie E-mail: yingjie@biec.com.cn
T&P China International Traffic and Parking Exhibition Shanghai Everbright Convention Centre November 15 to 18, 2000 Exhibition showcasing equipment and systems for road making, traffic control, signalling, traffic measurement systems, traffic regulations, parking facilities, parking systems and innovative transportation systems.	**Keylong Exhibition Services Co. Ltd.** E19B Strength Plaza New Hongqiao Business Square 600 Tianshan Rd. Shanghai 200051 China Tel.: (86-21) 5289-6776 Fax: (86-21) 5289-6776 Ext. 26 Contact: David Zhong E-mail: keylong@public.sta.net.cn

KEY CONTACTS AND SUPPORT SERVICES

Canadian Government Contacts

Canadian Embassy and Consulates
Canadian Embassy – Beijing
19 Dongzhimenwai Dajie
Chaoyang District
Beijing 100600 China
Tel.: (86-10) 6532-3536
Fax: (86-10) 6532-4072
Internet: http://www.canada.org.cn
Contact: Murray King
E-mail: murray.king@dfait-maeci.gc.ca

Canadian Consulate – Chongqing
Suite 1705, Metropolitan Tower
Wu Yi Lu, Yu Zhong District
Chongqing 400010 China
Tel.: (86-23) 6373-8007
Fax: (86-23) 6373-8026
Internet: http://www.canada.org.cn
Contact: Peter Liao
E-mail: peter.liao@dfait-maeci.gc.ca

Consulate General of Canada – Guangzhou
Suite 801, China Hotel Office Tower
Liu Hua Lu
Guangzhou 510015 China
Tel.: (86-20) 8666-0569 Ext. 225
Fax: (86-20) 8667-2401
Internet: http://www.canada.org.cn
Contact: Cathy Yao
E-mail: cathy.yao@dfait-maeci.gc.ca

Consulate General of Canada – Shanghai
Tower 4, Suite 604
Shanghai Centre
1376 Nanjing Xi Lu
Shanghai 200040 China
Tel.: (86-21) 6279-8400
Fax: (86-21) 6279-8401
Internet: http://www.canada.org.cn
Contact: Thomas Chen
E-mail: thomas.chen@dfait-maeci.gc.ca

Department of Foreign Affairs and International Trade (DFAIT)
125 Sussex Dr.
Ottawa, ON K1A 0G2
Internet: http://www.dfait-maeci.gc.ca

China and Mongolia Division (PCM)
Tel.: (613) 996-7256
Fax: (613) 943-1068
Contact: Gregory Chin
E-mail: gregory.chin@dfait-maeci.gc.ca

Market Support Division
Tel.: (613) 996-7186
Fax: (613) 944-0050
Contact: Peter McLachlan
E-mail: peter.mclachlan@dfait-maeci.gc.ca

Export Control Division (EPE)]
Tel.: (613) 996-2387
Fax: (613) 996-9933

Canada Commercial Corporation (CCC)
50 O'Connor St., Suite 1100
Ottawa, ON K1A 0S6
Tel.: (800) 748-8191 or (613) 996-0034
Fax: (613) 995-2121
Internet: http://www.ccc.ca

Export Development Corporation (EDC)
151 O'Connor St.
Ottawa, ON K1A 1K3
Tel.: (800) 850-9626 or (613) 598-2500
Fax: (613) 598-6697
Internet: http://www.edc.ca

Industry Canada
235 Queen St., 10th Floor, East Tower
Ottawa, ON K1A 0H5
Internet: http://info.ic.gc.ca

Service Industries and Capital Projects Branch
235 Queen St., 7th Floor, East Tower
Ottawa, ON K1A 0H5
Tel.: (613) 954-2956
Fax: (613) 952-9054
Contact: Hubert Larose
E-mail: larose.hubert@ic.gc.ca

Canadian Associations

Canada-China Business Council (CCBC)
180 Dundas St. West, Suite 1502
Toronto, ON M5G 1Z8
Tel.: (416) 954-3800
Fax: (416) 954-3806
E-mail: ccbc@istar.ca
Internet: http://www.ccbc.com

ITS Canada
133 Wynford Dr.
North York ON M3C 1K1
Tel.: (416) 441-4111
Fax: (416) 441-0226
E-mail: webmaster@itscanada.ca
Internet: http://www.itscanada.ca

Chinese Government Agencies

China Council for the Promotion of International Trade (CCPIT)
1 Fuxingmenwai St.
Beijing 100860 China
Tel.: (86-10) 6851-3344 Ext. 8611
Fax: (86-10) 6851-7153
Contact: Ding Zhongze, Director of Liaison Department

China International Tendering Company (CITC)
Room 514, Jiu Ling Building (North Wing)
21 Xisanhuan Beilu
Beijing 100089 China
Tel.: (86-10) 6840-4404
Fax: (86-10) 6842-7328

China National Industrial Machinery Import and Export Company (CMC)
West-Wing, Sichuan Plaza
1 Fuchengmen Wai St.
Beijing 100037 China
Tel.: (86-10) 6899-1155
Fax: (86-10) 6899-1166

China National Instruments Import and Export Corporation (Instrimpex)
Instrimpex Building
6 Xizhimenwai Dajie
Beijing 100044 China
Tel.: (86-10) 6835-6783
Fax: (86-10) 6833-0670

China National Technical Import and Export Corporation (CNTIC)
Jiu Ling Building
21 Xi San Huan Bei Lu
Beijing 100081 China
Tel.: (86-10) 6840-4830
Fax: (86-10) 6840-4833

Embassy of the People's Republic of China
515 St. Patrick St.
Ottawa ON K1N 5H3
Tel.: (613) 789-3434
Fax: (613) 789-1911
Internet: http://www.chinaembassy-canada.org

Consulates General of the People's Republic of China
In Calgary
1011 - 6 Ave. SW, Suite 100
Calgary AB T2P 0W1
Tel.: (403) 264-3322
Fax: (403) 264-6656

In Toronto
240 St. George St.
Toronto ON M5R 2P4
Tel.: (416) 964-7260
Fax: (416) 324-6468

In Vancouver
3380 Granville St.
Vancouver BC V6H 3K3
Tel.: (604) 734-7492
Fax: (604) 737-0154

Ministry of Communications (MOC)
11 Jianquomennei Dajie, Dongcheng District
Beijing 100736 China
Tel.: (86-10) 6529-2214
Fax: (86-10) 6529-2345
Contact: Hu Jinglu, Director General – International Co-operation Department

Department of Highway Administration
Construction and Co-ordination Division
Tel.: (86-10) 6529-2737
Fax: (86-10) 6529-2766
Contact: Ren Jinxiong, Division Chief

First Highway Survey and Design Institute
87 Youyi Xi Lu
Xi'an 710068 China
Tel.: (86-29) 721-0249
Fax: (86-29) 721-4756
Contact: Huo Ming, President

Ministry of Construction
9 Sanlihe Dajie, Xicheng Qu
Beijing 100736 China
Tel.: (86-10) 6839-3681
Fax: (86-10) 6839-3333

State Administration of Machinery Industry
46 Sanlihe Rd.
Beijing, 100823 China
Tel.: (86-10) 6595-2357
Fax: (86-10) 6859-5054

Patent Agency
6 Xituchenglu, Jimenqiao, Haidian District
Beijing 100088 China
Tel.: (86-10) 6209-3268
Fax: (86-10) 6201-9615
Internet: http://www.cpo.cn.net

Shanghai Intellectual Property Administration
9th FL, Ziyuan Building
268 Zhaojiabang Lu, Shanghai, China
Tel.: (86-21) 6431-5757
Fax: (86-21) 6437-8364

State Administration of Industry and Commerce
8 Sanlihe Donglu
Xicheng District
Beijing 100820 China
Tel.: (86-10) 6803-2727
Internet: http://www.saic.gov.cn

Chinese Associations and Societies

China Association for Science and Technology (CAST)
New Technology Development Centre (NTDC)
Room 305, 86 Xueyuan Nan Rd.
Beijing 100081 China
Tel.: (86-10) 6217-0167
Fax: (86-10) 6217-4946
Contact: Zhao Jiang, Deputy Director

China Communications and Transport Association
Beijing Hulian Advertising Agency
10 Fuxingmenwai Dajie
Beijing, China
Tel.: (86-10) 6859-3264
Fax: (86-10) 6859-5686
Contact: Zheng Yanhua, General Manager

China Urban Public Transport Association
9 Sanlihe Rd.
Beijing 100835 China
Tel./Fax: (86-10) 6839-4639
Contact: Zhang Kuifu, Board Administrative Vice Chairman
E-mail: cupta@public3.bta.net.cn

Road Construction Machinery Society
Tel./Fax: (86-10) 6595-2357
Contact: Huang Jia De, Secretary General

Chinese Highway Authorities and Related Contacts

Guizhou Province

Guizhou Expressway Development Co.
7 Yanan West Rd., Giuyang
Guizhou 550003 China
Tel.: (86-85) 1599-2723
Fax: (86-85) 1682-9634
Contact: Huang Maolin, Deputy General Manager
E-mail: gxjl@public1.gy.gz

Chongqing Expressway Construction Co.
40 Jiukengzi Rd., Daping
Chongqing 400042 China
Tel.: (86-23) 6881-2859
Fax: (86-23) 6881-6906
Contact: Xu Mou, General Manager
E-mail: chghcd@public.cta.cq.cn

Qingzhen Huangguoshu Section of the Guiyang Huangguoshu Highway Transformation
Ashun City
Guizhou 561000 China
Tel.: (86-85) 1322-5791
Fax: (86-85) 1322-5429
Contact: Chen Wenhua

Shanghai

Shanghai Municipal Expressway Construction Office
Tel.: (86-21) 6301-6996
Fax: (86-21) 6304-2290
E-mail: smeabe@public3.sta.net.ca
Contact: Su Yaoqiang, Director
Internet: http://www.highway.sh.cn or http://www.shucm.sh.cn

Shanxi Province

LISC
15 Xinjian Rd.
Taiyuan, Shanxi 030002 China
Tel.: (86-35) 1406-3136
Fax: (86-35) 1406-3136
E-mail: lisc@ec.com.cn
Internet: http://www.xswjm.com.cn

Chinese Manufacturers of Intelligent Transportation Systems

Shanghai Huaming Electronic Metal Cabinet Factory
Litahuizhen, Songjiang District
Shanghai 201617 China
Tel.: (86-21) 5784-5492
Fax: (86-21) 5784-1796
Contact: Zhang Jinchun, Board Chairman
E-mail: shhmdz@online.sh.cn
Manufactures an electronic ticketing system and is partnered with U.S. firm Cubic.

Shanghai Huahong Micro-Electronic Group Co.
18th FL, 918 Huaihai Zhong Lu
Shanghai, China
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Fax: (86-21) 6415-0830
Contact: Wang Weiguo
Teamed with Spain's Indre.

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Shenzhen 518049 China
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Fax: (86-75) 5311-2306
E-mail: jieshun@public.szonline.net
Systems integrator and manufacturer for non-contact IC card for parking, building entrance and public transit systems.

Shenzhen Jianyun Electronics Scientific and Technological Co. Ltd.
3/F, Building 615, Bagualing Industrial Zone
Shenzhen 518029 China
Tel.: (86-75) 5225-3006
Fax: (86-75) 5242-0173
E-mail: kenluck@nenpub.szptt.net.cn
Develops and manufactures non-contact IC cards for public transportation systems.

Shenzhen Tefa Modern Computer Co. Ltd.
Building R1-A, Hi-Tech Industrial Village,
Shennan St.
Shenzhen 518057 China
Tel.: (86-75) 5661-6999 Ext. 6602
Fax: (86-75) 5663-5988
Contact: Qi Kaibiao, System Dept.
Internet: http://www.mcm.com.cn
Systems integrator for non-contact IC card application system.

Major Chinese Highway Development Companies and Equipment Manufacturers

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1 Hepingli Zhongjie, Dongcheng
Beijing 100013 China
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Contact: Zhang Fan, General Manager

Beijing No.5 Urban Building Engineering Co.
10 Anyuandongli Sanqu, Chaoyang
Beijing 100029 China
Tel.: (86-10) 6404-2802
Fax: (86-10) 6401-8090

China Road and Bridge Corp.
Import/Export Department
Andingmenwai, Beijing 100011 China
Tel.: (86-10) 6421-6925
Fax: (86-10) 6428-5686
Subsidiary of the Ministry of Communication.

MMI, No. 20 Metallurgical Construction Co.
441 Pangulu, Baoshan,
Shanghai 201900 China
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Fax: (86-21) 660-0743

Shaanxi Road and Bridge Engineering Co.
10 Jixianglu, Nanjiao, Xi'an
Shaanxi 710081 China
Tel.: (86-29) 821-8804
Fax: (86-29) 526-3016

Shenzhou Road Markers Manufacturing Co. Ltd.
106 Shenzhou Gardon, Dantong Village
North Gate, Zhangzhou City
Fujian, China
Tel.: (86-59) 6202-8878
Fax: (86-59) 6202-6696
Manufactures road reflector belts and road hot-melt paint.

Industry-related Publications in China

China Construction News
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Published in Chinese.

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Canadian Embassy, Beijing: **http://www.canada.org.hk/english/index.html** . See particularly *China-Hong Kong Factbook: Business Protocol in China* (very thorough, providing ample information for new and experienced participants in the Chinese market) and *Exporting and Investing: SME Survival Guide to the China Market* (offers excellent, comprehensive information on several aspects of marketing products and services in China).

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China Council for the Promotion of International Trade (CCPIT): **http://www.ccpit.org** (Another excellent source of information on regulations, tariffs, business environment and much more.)

China Daily: http://**www.chinadaily.com**

Chinamarket: **http://www.chinamarket.com.cn** (Posts bidding notices/pre-notices and company information)

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ChinaSite: **http://chinasite.com** (Comprehensive Chinese Internet portal with links to a wide variety of business sectors.)

China Statistics: **http://www.stats.gov.cn/**

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APPENDIX A. Non-NTHS Highway Development Projects in China

Project	Description	Time line	Investment ($ millions)	Funding
Interprovincial Projects				
Changchun – Harbin Expressway: Hashuang Expressway	• 262 km four-lane, controlled-access toll expressway • procurement of equipment for toll collection, traffic management and safety, communications, maintenance and vehicle-axle load testing • training and consulting services for construction supervision and traffic safety engineering and monitoring	done by 2002	1075	39% foreign investment
Chongqing – Guizhou Expressway	• 176 km four-lane, controlled-access toll expressway • upgrade of 826 km of feeder roads • procurement of equipment for toll collection, traffic management and safety, communications and maintenance • procurement of training and consulting services for construction supervision and traffic safety engineering and monitoring	n/a	543	n/a
Guiyang – Xinzhai Highway	• 255.5 km highway between Buiyang City (Guizhou Province) and Southwest China	n/a	n/a	Japan's Jabic

Project	Description	Time line	Investment ($ millions)	Funding

Hebei & Liaoning Expressways	• 200 km four-lane controlled-access expressway from Baodi to Shanhaiguan (Hebei Province), including:
	  • 58 km four-lanes (Baodi to Tangshan); and
	  • 142 km six-lanes (Tangshan to Shanhaiguan)
	• procurement of equipment for toll collection, traffic management and safety, communications and maintenance
	• procurement of training and consulting services for construction supervision and traffic safety engineering and monitoring
		n/a	1527	37% foreign investment

Houma–Yanliang Expressway	• 235 km expressway • connecting Houma (Shanxi Province) – Yanliang (Shaanxi Province)	n/a	n/a	n/a
Liaoning & Jilin Expressways	• 340 km of four-lane controlled-access expressway from Shanhaiguan (Hebei Province) to Shenyang (Liaoning Province) • 90 km of four-lane controlled-access expressway from Changchun to Jilin City (Jilin Province) • procurement of equipment and facilities for road maintenance and safety, construction supervision and materials testing and toll road operations and communications • procurement of consulting services for construction supervision and training	n/a	1720	41% foreign investment

Project	Description	Time line	Investment ($ millions)	Funding
National Highway II Project (Guangdong – Hunan Highway Corridor)	• 169 km Xiangtan to Leiyang Expressway • 109 km Xiangtan to Gantang Expressway • service, administration and maintenance facilities, toll plazas • 61 km of interconnecting roads in Hunan and Guangdong	n/a	1540	MOC 14%, Hunan prov. Gov't 18%, Guangdong prov. Gov't 33% and World Bank 35%
National Highway III Project	• adding sections to Beijing–Zhuhai Expressway including: • 138 km Beijing–Zhuhai expressway • 31 km Shanghai–Chengdu (Hurong) expressway • interconnecting roads between Beijing–Zhuhai and the Shanghai–Chengdu expressways • Wuhan Junshan Yangtze River Bridge, China's first BOT project	n/a	280	World Bank
National Highway IV Project (Hubei–Hunan Provinces)	• 291 km addition to the Beijing–Zhuhai Expressway	n/a	520	World Bank
Shanghai – Zhejiang (formerly Shanghai – Hangzhou) Highway	• 130 km expressway (four-lane, controlled access) • 56 km of access roads • upgrade of 86 km of trunk highways in Zhejiang Province	n/a	390	World Bank
Anhui Province				
Anhui Province	• construction of 8000 km of roads – 1800 km will be expressways	2000-2005	8900	province is seeking overseas co-operation
Gansu Province				
Lanzhou–Baiyun Expressway	• 90 km of grade 1 highway	n/a	410	n/a

Project	Description	Time line	Investment ($ millions)	Funding
Guizhou Province				
Guiyang Huangguoshu Project	• reconstruction/expansion of 111 km of highway, upgrading from Class II to I (two to four lanes)	n/a	15	Chinese Gov't 20%, remainder to be supplied by foreign investors
Hebei Roads Development project	• 140 km four-lane, controlled-access toll expressway • construction and upgrade of 230 km of country connector roads and 110 km of village access roads	n/a	n/a	funded by the AsDB
Heilongjiang Province				
Harbin – Shuangchen Expressway	• 101 km, four-lane expressway	n/a	n/a	partially by AsDB
Henan Province				
Nanyang – Southwest Expressway	• 160 km, four-lane expressway	by 2001	638	n/a
Jilin Province				
Changyu Expressway: Changchun – Harbin Expressway	• 161 km expressway • procurement of equipment for toll collection, traffic management and safety, communications, highway maintenance, vehicle-axle load testing and construction supervision • procurement of contracting services for engineering design, construction supervision, contract management, road safety, human resource development and training	n/a	803	43% foreign investment
Jilin–Changchun Expressway	• 84 km, four-lane,	n/a	410	n/a

Project	Description	Time line	Investment ($ millions)	Funding
Liaoning Province				
Liaoning Province	• development of a hub and spoke highway network centred in Shenyang, involving construction of highways from Shenyang to Benxi and from Shenyang to Tieling	under way	n/a	n/a
Shaanxi Province				
Shaanxi Province	• 8000 km of new roads–six high-grade highways will be built during 10th Five-Year Plan	by end of 2010	1950	China Construction Bank
Shanghai				
Shanghai Freeway Network	• 650 km of freeways linking Shanghai with Jiangsu and Zhejiang Provinces: • five roads, totalling 180 km by 2002 • nine roads totalling 350 km between 2003 and 2005	by end of 2010	7000	n/a
Shanxi Province				
Fenyang–Liulin Expressway	• 116 km four-lane expressway	n/a	390	plans for 60.5% to come from abroad
Tibet Autonomous Region				
Trunk Highway Project	• 4700 km of highways to bring region's total to 27 000 km	by 2005	2000	n/a
Xinjiang Uygur Autonomous Region				
Turpan – Dahuangshan Expressway	• 183 km four-lane expressway	1995-2000	330	World Bank
Urumqui–Kuitun Expressway	• 266 km four-lane expressway	1995-2000	330	World Bank
Kuitin–Sailimu Expressway	• 323 km project being prepared	n/a	n/a	n/a

Project	Description	Time line	Investment ($ millions)	Funding
4th Expressway	• 464 km expressway under study	n/a	n/a	n/a
Yunnan Province				
Inter-Region Upgrade Project	• upgrade of nine inter-region highways • construction of high-grade highway network connecting Yunnan to Sichuan, Tibet, Guizhou and Guilin	n/a	n/a	n/a
Yuanjiang – Mohei Expressway	• 147 km of four-lane controlled access expressway • upgrade of 540 km of feeder roads • procurement of traffic engineering and monitoring, toll collection, quality control, road maintenance and safety, tunnel construction and feeder road upgrading equipment	Done by 2003	1144	44.5% foreign investment
Zhejiang Province				
Jinhua – Lishui – Wenzhou Expressway	• 93 km – 2nd phase of the project	n/a	n/a	n/a

Source: Asian Development Bank, EIU, U.S. Department of Commerce, World Bank and various news sources.

APPENDIX B. Chinese Import Statistics

Table 6. Top 15 Exporters of Road Construction Equipment, 1997 to 1999 ($ millions)

	1996	1997	1998	1999
Japan	3342.26	3563.29	3456.53	4829.35
South Korea	823.64	796.02	579.18	1527.71
United States	1390.54	1169.21	1604.47	1327.72
Germany	750.75	751.73	956.7	549.17
Indonesia	0.08	0.22	9.07	178.39
France	71.19	207.85	205.85	162.17
Sweden	189.72	240.21	123.68	156.20
Italy	251.55	70.13	52.83	111.83
Canada	**26.10**	**42.37**	**34.99**	**93.91**
U.K.	46.10	62.02	110.21	72.42
Singapore	212.96	97.83	96.67	68.99
Taiwan	77.99	87.06	66.11	60.74
Czech republic	93.22	64.36	73.28	49.66
Austria	33.46	113.12	11.76	42.72
Finland	55.41	109.65	200.64	41.22
Rest of World	326.24	377.38	503.55	346.83
Total	**7675.41**	**7717.01**	**8061.74**	**9568.43**

Note: Statistics included in this table include the following HS Codes: 842641, 842911, 842919, 84292010, 84292090, 842930, 842940, 842951, 842952, 842959, 843010, 843069, 843139, 843141, 843142, 843149, 870410, 870423.
Source: TradStat, 2000

Table 7. Top 15 Exporters of Electrical Signalling and Traffic Control Equipment (HS Code 8530) to China, 1996 to 1999 ($ millions)

	1996	1997	1998	1999
United States	3.67	5.15	1.72	17.40
France	3.89	1.96	14.19	7.86
U.K.	0.23	0.08	7.48	6.29
Australia	0.68	0.04	0.23	3.19
Japan	0.06	0.58	0.38	2.85
Germany	0.50	15.26	22.21	1.60
Spain	1.25	2.22	5.22	1.46
Taiwan	0.06	0.00	0.08	0.77
Finland	0.02	0.02	0.00	0.23
Italy	0.83	0.02	0.02	0.21
Singapore	0.00	0.15	0.08	0.15
Canada	**0.07**	**1.82**	**0.05**	**0.10**
Hong Kong	0.20	0.10	0.63	0.06
Norway	0.00	0.00	0.03	0.03
South Korea	0.06	5.19	0.04	0.03
Rest of World	3.95	25.48	36.43	16.98
Total	**11.71**	**35.03**	**55.15**	**42.28**

Source: TradStat, 2000

APPENDIX C. Business Do's and Don'ts

DO:

- familiarize yourself with China's culture, politics, business and social practices;
- understand that respect — amply seasoned with a knowledge and understanding of the Chinese culture — will be a critical building block in the foundation of a commercial relationship;
- understand the full meaning of *guanxi*, as well as the Chinese philosophy of "friendship first, business second";
- enlist the assistance of the Government of Canada through its various departments, offices, Consulates General and the Canadian Embassy in Beijing;
- take advantage of Government-supported trade initiatives, e.g. Team Canada visits;
- become familiar with Canadian public policies and public- and private-sector initiatives designed to provide a competitive advantage to Canadian companies;
- be aware, if your company is an SME, that market access will likely occur more quickly if you are part of a consortium;
- note the advantages inherent in offering attractive financing options;
- become familiar with the advantages/disadvantages afforded by joint ventures with Chinese companies. Wholly owned foreign companies, technology transfer arrangements, trading companies and establishment of local sales offices are also options that require examination;
- recognize the value of early and frequent visits to project sites to meet key contacts and maintain relationships;
- adopt visible marketing and promotion tools — in Chinese — that inform potential customers of who you are, what you do and how to contact you;
- be aware that thoughtful, targeted marketing can result in your product becoming the "preferred" one;
- note that for most large procurements, pre-qualification of your product will likely be necessary;
- be aware of the increased (spin-off) commercial opportunities that can develop as a result of establishing a presence in China, practising *guanxi*, and expanding your circle of business associates;
- have your agent or advisor research relevant aspects of opportunities and establish contact with key officials at the project management as well as municipal, provincial and central Government levels;
- allow your agent or advisor to advise you on, and facilitate, meetings and subsequent negotiations;

- instruct your agent or advisor to keep you apprised of the trading practices in China of other foreign exporters; and

- recognize that major contracts are often lost over minor misunderstandings. Rely on your agent's or advisor's knowledge and never "infer" or "assume" what terms mean or what type of response is required to a communication.

Do Not:

- visit China on a speculative, unassisted basis;

- compete with low-tech domestic manufacturers; and

- assume that corrupt officials control regional markets because new laws are not being policed. New laws are not implemented overnight but the changes *are* being made!

READER EVALUATION

Please help the Market Research Centre to produce market reports which meet your information needs by completing this evaluation form and returning it by fax (613) 943-1103. Thank you for your valuable input.

1. How did you obtain a copy of this market report?
   - ☐ InfoCentre FaxLink system
   - ☐ InfoCentre help line
   - ☐ Local government office
   - ☐ Government Internet site
   - ☐ Other: _____

2. How would you describe this market report?

	Strongly agree	Agree	No opinion	Disagree	Strongly disagree
Useful	☐	☐	☐	☐	☐
Complete	☐	☐	☐	☐	☐
Well organized	☐	☐	☐	☐	☐
Well written	☐	☐	☐	☐	☐
Ideal length	☐	☐	☐	☐	☐

3. In what form do you prefer to obtain these reports?
   - ☐ Print
   - ☐ Electronic

4. Based on the information in this report, what specific action(s) does your organization plan to take in this market? Check all that apply.
   - ☐ Seek an agent/distributor
   - ☐ Visit the market
   - ☐ Do more research
   - ☐ Other: _____
   - ☐ Contact Canadian trade office abroad
   - ☐ Participate in a trade show abroad
   - ☐ Nothing

5. What other market reports would be of benefit to your organization? Please identify specific products and countries. _____

6. Which of the following categories best describes your organization? Check one only.
   - ☐ Processor/manufacturer
   - ☐ Trading house
   - ☐ Export service provider
   - ☐ Industry/trade association
   - ☐ Government
   - ☐ Student/academia
   - ☐ Consultant
   - ☐ Other: _____

7. What were your organization's total sales last year, in Canadian dollars?
   - ☐ Less than $10 million
   - ☐ More than $50 million
   - ☐ $10 million to $50 million
   - ☐ Not applicable

Additional comments/suggestions for improvement: _____

OPTIONAL — The name of your organization is: _____